Office of the Superintendent of Financial Institutions Canada
Bureau du surintendant des institutions financières Canada

Office of the Superintendent of Financial Institutions

2009-10 Estimates

Part III – Report on Plans and Priorities

Minister of Finance

OSFI BSIF

Canada

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Message from the Superintendent

On behalf of the Office of the Superintendent of Financial Institutions Canada (OSFI), I am pleased to present to Parliament our *Report on Plans and Priorities* for 2009–2010.

As Canada's federal prudential regulator, OSFI is mandated to protect the interests of depositors and policyholders, many of whom hold their life savings in Canadian financial institutions. We also play a role in supervising Canada's federally regulated private pension plans and oversee their compliance with relevant legislation and regulations.

In the recent past we have seen a great deal of uncertainty in global financial markets. The global economic outlook has also deteriorated. The current economic situation will challenge all financial institutions. The economic downturn is the second wave to hit the system since August 2007. Canadian banks handled the first wave – global financial market turmoil – relatively well compared to many of their global counterparts. The second wave – a serious economic downturn – is hitting while financial market turmoil remains ongoing. The second wave will affect both capital levels and profits at banks. The situation is serious; change is constant, and the financial landscape will continue to shift in ways that are not fully predictable at this time.

In support of our prudential mandate, OSFI has several ongoing activities. These include risk assessment of financial institutions and pension plans, and timely, effective intervention and feedback; promoting a balanced, relevant and timely regulatory framework of guidance and rules that meets or exceeds international minimums; and having a prudentially effective, balanced and responsive approvals process.

Financial market turmoil has led to an unprecedented level of international work related to regulatory and supervisory approaches to financial institutions. OSFI will continue to contribute to this work via the Financial Stability Forum, the Basel Committee on Banking Supervision, and the International Association of Insurance Supervisors, as well as through membership in the Senior Supervisors Group. We also work very closely with our Financial Institutions Supervisory Committee (FISC) partners, including the Bank of Canada which provides a financial stability and macro prudential perspective. Going forward, OSFI will continue to focus on key areas such as capital adequacy, liquidity, and stress testing, and we will continue to perform a number of benchmarking reviews within the industry. In the coming year, OSFI anticipates conducting the following reviews at selected institutions: Home Equity Lines of Credit (HELOC) and Alt-A mortgages (focusing on U.S. exposures), liquidity (specifically banks' response to enhanced international expectations) and collateral management practices.

The Office of the Chief Actuary continues to provide expert actuarial valuation and advice to help ensure financially sound federal government public pension plans, including the Canada Pension Plan (CPP), Old Age Security Program (OAS), and federal public sector employee pension and insurance plans.

OSFI recognizes that employees are the key to success, and represent our most important asset. We aim to have systems and processes in place that enable our motivated and skilled workforce to focus on OSFI's supervisory and regulatory activities.

The *2009–2010 Report on Plans and Priorities* identifies areas on which OSFI will focus in order to provide efficient program delivery. In meeting these goals, OSFI contributes to a strong Canadian financial system, one in which Canadians can continue to place their trust.

Section I – Agency Overview

1.1 Summary Information

Raison d'être

The Office of the Superintendent of Financial Institutions (OSFI) supervises and regulates all federally incorporated or registered deposit-taking institutions (e.g., banks), life insurance companies, property and casualty insurance companies, and federally regulated private pension plans.

OSFI safeguards depositors, policyholders and private pension plan members by enhancing the safety and soundness of federally regulated financial institutions and private pension plans. The work of OSFI contributes to the confidence of Canadians in Canada's financial system.

The Office of the Chief Actuary (OCA) is a separate unit within OSFI. The OCA provides high-quality, timely advice on the state of various public pension plans and on the financial implications of options being considered by policy makers. The work of the OCA contributes to the confidence of Canadians in Canada's public retirement income system.

Responsibilities

OSFI's legislated mandate was implemented in 1996 and under the legislation, OSFI's mandate is to:

- Supervise federally regulated financial institutions and private pension plans to determine whether they are in sound financial condition and meeting minimum plan funding requirements respectively, and are complying with their governing law and supervisory requirements;
- Promptly advise institutions and plans in the event there are material deficiencies and take, or require management, boards or plan administrators to take, necessary corrective measures expeditiously;
- Advance and administer a regulatory framework that promotes the adoption of policies and procedures designed to control and manage risk; and
- Monitor and evaluate system-wide or sectoral issues that may impact institutions negatively.

In meeting this mandate, OSFI contributes to public confidence in the financial system.

OSFI's legislation also acknowledges the need to allow institutions to compete effectively and take reasonable risks. It recognizes that management, boards of directors, and plan administrators are ultimately responsible and that financial institutions and pension plans can fail.

Strategic Outcomes

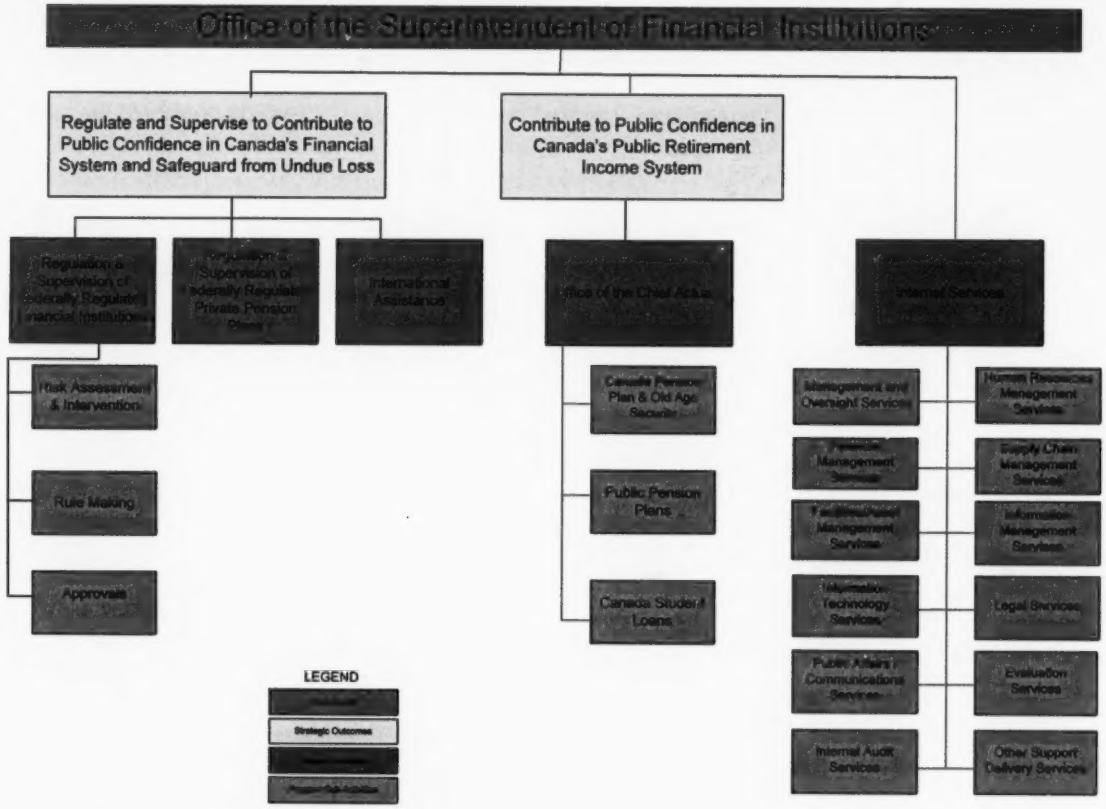
Primary to OSFI's mandate and central to its contribution to Canada's financial system are two strategic outcomes:

1. *To regulate and supervise to contribute to public confidence in Canada's financial system and safeguard from undue loss.*

2. *To contribute to public confidence in Canada's public retirement income system.*

Program Activity Architecture

The chart below illustrates OSFI's framework of program activities and program sub-activities, which roll-up and contribute to progress toward the Strategic Outcomes.


Office of the Superintendent of Financial Institutions
Regulate and Supervise to Contribute to Public Confidence in Canada's Financial System and Safeguard from Undue Loss
Contribute to Public Confidence in Canada's Public Retirement Income System
Risk Assessment & Intervention
Rule Making
Approvals
Public Pension Plans
Canada Student Loans
LEGEND
Strategic Outcomes

1.2 Planning Summary

Financial Resources

Financial Resources	2009-10	2010-11	2011-12
($ millions)	$100.0	$103.1	$106.1

The financial resources table above provides a summary of the total planned spending for OSFI for the next three fiscal years.

Human Resources

Human Resources	2009-10	2010-11	2011-12
Full-Time Equivalents (FTEs)	491	488	488

The human resources table above provides a summary of the total planned human resources for OSFI for the next three fiscal years.[1]

Strategic Outcome 1: To regulate and supervise to contribute to public confidence in Canada's financial system and safeguard from undue loss.						
Performance Indicators Percentage of knowledgeable observers who rate OSFI as doing a good or very good job at contributing to public confidence in Canada's financial services industry.						Targets 70%
Percentage of estimated recoveries on failed institutions (amount recovered per dollar of claim).						90%
Percentage of estimated recoveries on pension plans that have terminated under-funded.						85%
Percentage of respondents that rate the assistance / presentations provided as relevant to their work.						80%
Program Activity	**Expected Results**	**Forecast Spending ($ millions)**	**Planned Spending ($ millions)**			**Alignment to Gov't of Canada Outcomes**
		2008-09	2009-10	2010-11	2011-12	
Regulation and Supervision of Federally Regulated Financial Institutions	Protect depositors and policy holders while recognizing that all failures cannot be prevented.	46.7	48.6	50.7	52.5	• Strong economic growth • A safe and secure world through international co-operation

[1] Additional information regarding the Financial and Human Resources trends can be found in the Expenditure Profile section of this report (page 14, first paragraph).

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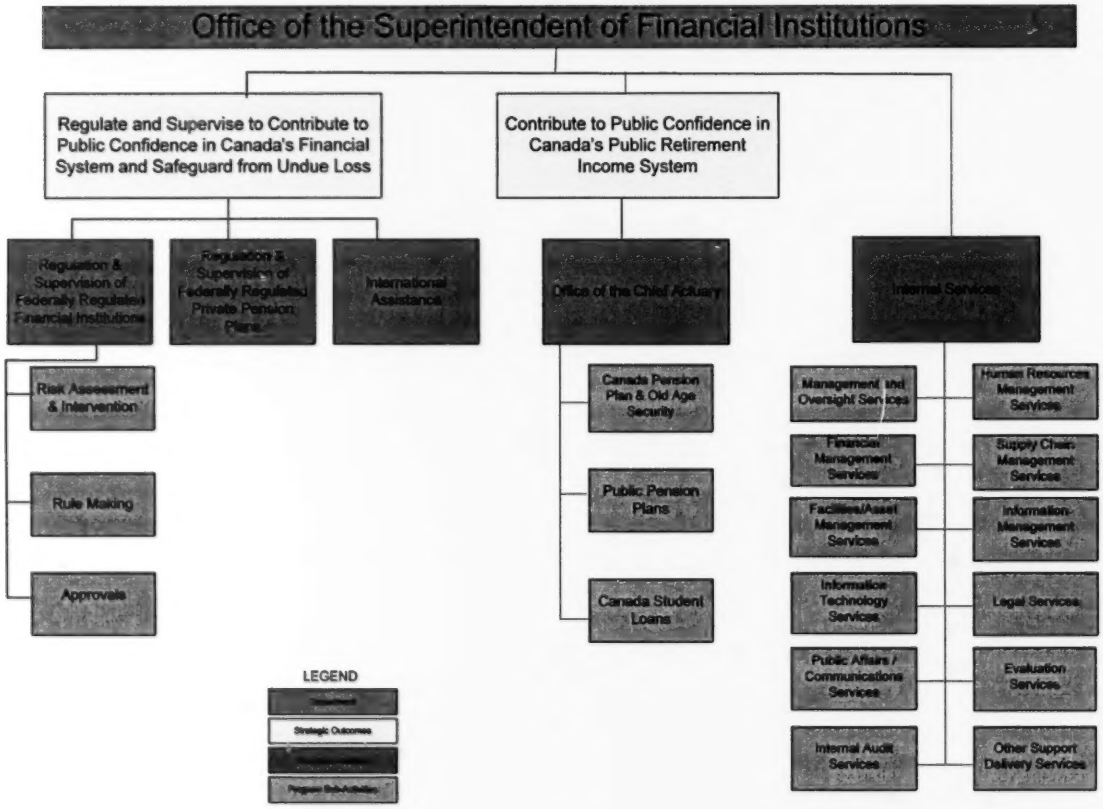
Office of the Superintendent of Financial Institutions
Regulate and Supervise to Contribute to Public Confidence in Canada's Financial System and Safeguard from Undue Loss
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Approvals
Canada Pension Plan & Old Age Security
Public Pension Plans
Canada Student Loans
Management and Oversight Services
Financial Management Services
Facilities/Asset Management Services
Information Technology Services
Public Affairs / Communications Services
Internal Audit Services
Human Resources Management Services
Supply Chain Management Services
Information Management Services
Legal Services
Evaluation Services
Other Support Delivery Services
LEGEND
Strategic Outcomes

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Regulation and Supervision of Federally Regulated Private Pension Plans	Protect the financial interests of federally regulated private pension plan members and beneficiaries.	4.5	4.8	4.6	4.7	• Strong economic growth • Income security for Canadians
International Assistance	Emerging market economies are more informed about current approaches to regulatory and supervisory systems, and deploy them to the extent possible.	1.6	1.7	1.7	1.7	• Strong economic growth • A safe and secure world through international co-operation
Total for SO 1		**52.8**	**55.1**	**57.0**	**59.0**	

Strategic Outcome 2: To contribute to public confidence in Canada's public retirement income system.

Performance Indicators	Targets
Actuarial reports fairly communicate the results of the work performed by the Chief Actuary and his staff.	Unanimous agreement
Adequacy of professional experience of the Chief Actuary and his staff. AND/OR Compliance with Canadian and international professional standards.	Unanimous agreement Unanimous agreement

Program Activity	Expected Results	Forecast Spending ($ millions) 2008-09	Planned Spending ($ millions) 2009-10	2010-11	2011-12	Alignment to Gov't of Canada Outcomes
Office of the Chief Actuary	Stewards of Canada's public retirement income system are provided with professional actuarial services and advice in regard to the Canada Pension Plan (CPP) and federally legislated public pension and benefit plans.	3.7	4.3	4.3	4.4	• Income security for Canadians
Total for SO 2		**3.7**	**4.3**	**4.3**	**4.4**	

Contribution of Priorities to Strategic Outcomes

Operational Priorities	Type	Links to Strategic Outcome	Description
Enhanced Identification of Emerging Risks	Ongoing	SO 1	Continue to improve our ability to identify emerging risks via enhanced research and international intelligence, more focus on market information, and comparative reviews in key areas. Conduct a formal review of OSFI's Supervisory Framework for continued appropriateness and effectiveness. Continue to refine pension supervision processes as dictated by ongoing experience.
Institutional and Market Resilience	Ongoing	SO 1	Continue to participate in international discussions to identify and respond to the key issues arising from global economic events and developments in world financial markets, including future changes to regulatory approaches, and make recommendations for action. Work with Financial Institutions Supervisory Committee (FISC) partners and the regulated industries on similar issues in the Canadian context to maintain strong communications and strengthen preparedness in light of the continuing market turbulence.
Capital Adequacy	Ongoing	SO 1	Continue the development of improved risk-sensitive methodologies for Life insurers and P&C insurers, including the development of guidance for the use, by life and property and casualty insurance companies, of internal models for capital purposes. Revise the current Minimum Continuing Capital and Surplus Requirement (MCCSR) and the Minimum Capital Test (MCT) in light of the introduction of IFRS in 2011; and continue post-implementation review work for Basel II, including policy work to examine target capital policy for risk ratios, leverage multiple, standards for credit risk in the trading book and capital floors.

Management Priorities	Type	Links to Strategic Outcome	Description
People	Ongoing	SO 1 & SO 2	Identify changing human resources requirements; ensure timely availability of staff and continue to allocate available resources to identified risk and priority areas. Implement strategic development plans.
Infrastructure Enhancements	Ongoing	SO 1	Develop long-term strategies for Information Management and Information Technology necessary to support our evolving supervisory and regulatory activities.
Changes to International Financial Reporting Standards (IFRS)	Ongoing	SO 1	Determine implications of accounting changes for Canadian financial institutions and supervisors. Develop a plan for addressing resulting changes to policies, process, data collection and reporting.

Risk Analysis

Economic, Industry and Regulatory Environment

In our 2008-2011 Plan and Priorities, OSFI discussed serious downside risks to the continued growth of the Canadian economy. Since then, many of these risks have materialized, and the outlook has deteriorated. The U.S. economy has slipped into recession and the Canadian economy is now entering a recession.

At the same time, in 2008, the World Economic Forum's Global Competitiveness Report, which bases its findings on opinions of executives, concluded that Canada has the world's soundest banking system. In the context of its 2008 Article IV review of Canada, the IMF also concluded that "Overall, the [Canadian] financial system appears to be in a position to weather financial turbulence".

While the Bank of Canada still sees a gradual improvement in global financial markets and credit conditions in Canada, it does say that downside risks have risen significantly in recent months, as spill over effects from the financial turmoil have intensified.

Five key sources of risk to the strength and stability of the Canadian financial system are seen:

> The first concerns market liquidity and the funding of financial institutions; the second, the closely related issue of capital adequacy. The global financial crisis is increasing the pressures on Canadian financial institutions in these areas, which could lead them to further curtail the availability of credit and thus aggravate the adverse feedback loop between the financial system and the real economy. The third risk arises from the indebtedness of the Canadian household sector, which represents a potential channel of contagion through which an external shock could affect the wider Canadian financial system. Such a shock could take the form of a sharper, or more prolonged, downturn in the global economy than currently expected, which is the fourth risk. Finally, [there is] the issue of global financial imbalances and their potentially destabilizing effect should they be unwound in a disorderly fashion. (Bank of Canada, Financial Stability Review, 11 December 2008)

While the Canadian dollar has depreciated significantly relative to the U.S. dollar, this is not expected to provide much of a boost to exporters because of the rapidly deteriorating economic conditions in the U.S. and elsewhere. Further, the sharp drop in commodity prices and the increasing difficulty of obtaining long-term (or even medium-term) financing discourages new investment. And, the slowing of Canadian consumer spending will add more to these recessionary influences.

The current financial and market turmoil has led to an unprecedented level of international discussion and involvement to ensure market resilience during this period. As the future of regulation evolves at a global level, OSFI will continue to participate in discussions with the Financial Stability Forum (FSF), the Basel Committee, the International Association of Insurance Supervisors (IAIS) and other organizations to respond to the key issues arising from

the market turbulence and to make recommendations for action. OSFI is also supporting work led by the Department of Finance to respond to commitments made by G20 leaders (in their Declaration from the 2008 Washington D.C. Summit on the Financial Markets and the World Economy) to implement reforms that will strengthen financial markets and regulatory regimes so as to avoid future crises.

Domestically, OSFI continues to work with its Financial Institutions Supervisory Committee partners (i.e. Bank of Canada, Department of Finance, Canada Deposit Insurance Corporation and Financial Consumer Agency of Canada) and with the federally regulated financial services industry to build upon Canada's well-recognized strengths in this area.

Within this context, OSFI will continue to focus on two important priorities for the 2009-2012 planning period. The adequacy of capital maintained by financial institutions is a key priority. Capital provides a critical cushion for financial institutions which is always important, but especially during difficult economic times. In this area, OSFI will continue its work with the Minimum Continuing Capital and Surplus Requirement (MCCSR) Advisory Committee for life insurance companies and has started its work in 2008 on the Minimum Capital Test (MCT) Advisory Committee for the property and casualty insurance industry. These initiatives are to develop and reach agreement on more risk sensitive measurement techniques and more forward looking risk management techniques. The current economic context and future developments in the financial markets may have an impact on these processes, the outcomes and the targeted implementation dates. However, capital adequacy remains a high priority and in November 2008, a framework for a future Standard Approach to Setting Capital Requirements and a future Standardized Approach for Calculating the Solvency Buffer for Market Risk for Life insurance companies were issued.

For the 2009-2012 planning period, OSFI will focus on post implementation issues associated with the Basel II Capital Accord. Policy work in this area will examine the target capital policy for risk ratios, modifications based on lessons learned to international capital rules and floors based on Basel II use and experience.

Another key priority relates to OSFI's work regarding the transition to International Financial Reporting Standards (IFRS). In spring 2008, the Canadian Accounting Standards Board announced that IFRS would be adopted for all Canadian publicly accountable enterprises beginning in 2011. As Federally Regulated Financial Institutions (FRFIs) are considered publicly accountable enterprises, OSFI will need to understand the implications of the accounting changes on the supervisory and monitoring processes and will need to work with FRFIs to ensure their readiness. In that regard, in 2008, OSFI established a streamlined cross-sectoral governance structure and a robust project infrastructure to identify impacts resulting from the move to IFRS. Focused workstreams have been established to assess the key policy, process and data collection requirements. Additionally, OSFI has been working closely with FRFIs in order to better understand their IFRS implementation plans and readiness. This objective is being achieved through bi-annual progress reporting from FRFIs and through industry forums designed to assist smaller institutions. In 2009-2010, OSFI will issue its draft positions on policy, process and reporting changes to industry for formal consultation. OSFI's objective is to issue final guidelines, advisories and reporting returns to industry by mid-2010. Subsequent to that, the focus will shift to system development and implementation of the changes.

Enterprise Risk Management

The environment in which OSFI operates presents an array of risks to the achievement of its mandate and objectives. While many of these challenges are consistently present, the extent to which they present a risk to OSFI's objectives varies, depending on economic and financial conditions and the financial industry environment. OSFI's ability to achieve its mandate depends on the timeliness and effectiveness, with which it identifies, evaluates, prioritizes, and develops initiatives to address areas where its exposure is greatest. Over the last year, OSFI has changed its risk management process to ensure greater timeliness of information and greater focus on its most critical areas (the work that OSFI does and the skill sets needed by its employees). Bimonthly risk discussions at the Executive level and quarterly updates of risk registers are now embedded in OSFI's Enterprise-wide Risk Management process.

OSFI's Enterprise-wide Risk Management (ERM) framework divides risks into external and internal categories. The external risk category consists of economic and financial conditions, the financial industry environment, OSFI's legal environment and catastrophic events. External risks arise from events that OSFI cannot influence, but must be able to monitor and respond to in order to mitigate the impact. The internal risk category consists of risks that can broadly be categorized as people, processes, systems, and culture.

OSFI's ERM program has identified several key risks to the achievement of its mandate and objectives, as follows:

External Risks

Global Economies and the Industry

The risks posed by the current environment (both at the level of the economy and within the financial sector, and taking into account ongoing global responses) feature predominantly. Global financial events require that OSFI, like all financial sector regulators, must be in a position to respond effectively to a constantly evolving economic and regulatory environment. On a micro level, prevailing conditions continue to put pressure on the Capital and Accounting Policy Divisions to provide interpretations or to reassess existing guidance to ensure its effectiveness under stress conditions. Specific strategies have been put in place within individual divisions, consistent with specialized responsibilities and current projects, to address ongoing industry developments. Resources continue to be reassigned and priorities reset as necessary.

Capital Adequacy

Europe and the International Association of Insurance Supervisors (IAIS) are developing more risk sensitive capital frameworks for insurance companies. There is a need to improve the risk sensitivity of the Minimum Continuing Capital and Surplus Requirement (MCCSR) and the Minimum Capital Test (MCT) as well as to incorporate changes due to IFRS, while maintaining the integrity of the existing capital tests.

To date, Canada has been at the forefront of insurance regulation. Adjustments to MCCSR and MCT will be necessary to ensure that OSFI can maintain its position among the international leaders in this field.

The new capital framework and events in the market also require banks and regulators to focus more on the measurement of risks and its relation to the overall level of capital adequacy. Due to the scale and novelty of this undertaking, there is a risk that the review work for Basel II implementation will continue to require more resources than expected by both financial institutions and OSFI, and that policies defining the framework will have to be amended to incorporate new information or lessons learned on the performance of new Basel-related systems in times of stress.

Internal Risks

People Risks
OSFI's success is dependent upon having employees with highly specialized knowledge, skills and experience to regulate and supervise financial institutions, identify significant issues, and perform accurate risk assessments.

A volatile global economy, increasingly complex products, and emerging risks in the industry also mean that OSFI needs to be able to attract, motivate, develop and retain skilled people, particularly those whose skills are in demand in the financial sector. In addition, an increase in hiring over the last year due to market conditions, and normal turnover and retirement rates mean that a continuous learning environment is necessary to enable employees to meet the challenges of this constantly changing environment.

Systems Risks
Enabling technology and a robust, secure and well supported Information Technology (IT) infrastructure are key success factors to OSFI in meeting its mandate. In order to continue to provide the necessary information systems and infrastructure to effectively support its supervisory and regulatory activities, OSFI needs to ensure that business and IT strategies are cohesively developed and implemented to ensure an appropriate balance between on-going development and operational risk. This includes leveraging existing business systems as well as refining IT governance mechanisms.

Changes to International Financial Reporting Standards (IFRS)
The Canadian Accounting Standards Board has decided to adopt international financial reporting standards (IFRS) in 2011. This will have an impact both on OSFI, as it relies on audited financial information, and the institutions it regulates. Key accounting changes will affect insurance, derecognition, consolidation, loan impairment, financial instruments and measurement of fair value. As a reliance-based regulator, it is crucial that OSFI understand the implications of changes to financial statements to perform accurate risk assessments of financial institutions.

Expenditure Profile

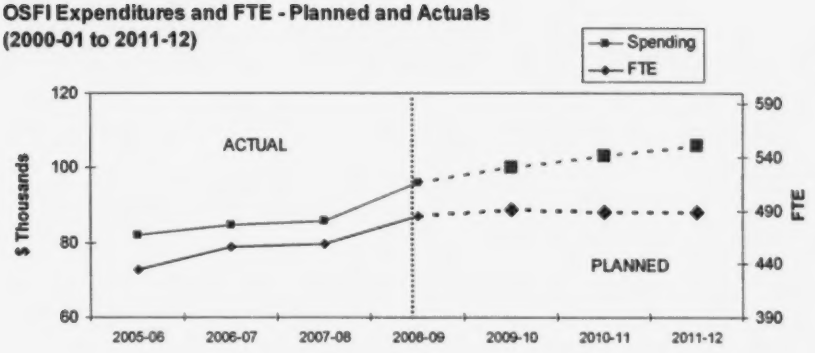
In accordance with the Treasury Board Secretariat's Guide to the Preparation of Part III of the 2009-2010 Estimates, the financial and human resources presented in this Report on Plans and Priorities reflect OSFI's approved Annual Reference Level Update (ARLU) estimates, which were prepared in early summer 2008. However, recent global economic events and developments in world financial markets are requiring that OSFI direct more resources than previously planned (and consequently reflected in the ARLU) on enhanced identification of emerging risks and on monitoring institutional and market resilience to the turmoil. Domestically, prevailing conditions are also requiring OSFI to increase its focus on capital and accounting rules. OSFI's capacity to proactively monitor these risks and assess their impact on the financial institutions and pension plans that it regulates is still under review. Accordingly, increases to the resource levels presented in these tables are likely, particularly in the Regulation and Supervision of Federally Regulated Financial Institutions program activity where expertise in critical technical skills such as credit, complex structured products, liquidity and reinsurance requires augmenting. At the time of writing this Report on Plans and Priorities, OSFI was completing its business planning process for fiscal years 2009-2010 to 2011-2012. Any changes as a result will be reflected in next year's Report on Plans and Priorities.

($ millions except for percentages)	Actual Spending	Forecast Spending	Planned Spending		
	2007-08	2008-09	2009-10	2010-11	2011-12
Gross Expenditures	85.7	95.9	100.0	103.1	106.1
Change from previous year		*11.9%*	*4.3%*	*3.1%*	*2.8%*
Less:					
Respendable Revenue		95.0	99.1	102.2	105.2
Total Planned Spending		**0.9**	**0.9**	**0.9**	**0.9**

Total gross expenditures in 2008-2009 of $95.9 million are forecasted to increase by 11.9% from the previous year, due primarily to the increase in human resources and the full-year impact in 2008-2009 of employees hired during 2007-2008 (which in combination result in a growth of 29 full-time equivalents), normal inflationary and merit adjustments and continued annual investments in enabling technology and information technology infrastructure.

Total gross expenditures in 2009-2010 of $100.0 million are planned to increase by 4.3%, mainly due to an increase of 1.2% in full-time equivalents and normal inflationary and merit adjustments, investments in information systems related to the Private Pension Plans program and changes in Accounting Rules. In 2010-2011 and 2011-2012, OSFI's total gross expenditures are planned to increase by 3.1% and 2.8%, respectively.

Net of Respendable Revenues, total planned spending is $873 thousand for each of the planning years. This amount is assumed to remain unchanged over the planning horizon but may be adjusted by Treasury Board Secretariat to reflect changes in collective agreements.



OSFI continues to re-evaluate its programs to ensure that they contribute to OSFI's mandate and are efficiently managed. In so doing, OSFI has been successful at minimizing ongoing operating cost increases and at judiciously managing its human resources in optimal ways.

Voted and Statutory Items

This table summarizes Parliament's voted appropriation and OSFI's statutory provision for the spending of any revenues arising out of the operations of the Office, pursuant to subsection 17(2) of the OSFI Act.

OSFI receives an annual parliamentary appropriation pursuant to section 16 of the OSFI Act to support its mandate relating to the Office of the Chief Actuary. This parliamentary appropriation is to defray the expenses associated with the provision of actuarial services relating to various public sector employee pension and insurance plans, including those for the Canadian Armed Forces, the Royal Canadian Mounted Police, the federally appointed judges and Members of Parliament.

For fiscal year 2009-2010, this appropriation is set at $873 thousand and is currently assumed to remain unchanged in both 2010-2011 and 2011-2012; however, it may be adjusted by Treasury Board Secretariat to reflect changes in collective agreements.

Vote # or Statutory Item (S)	Truncated Vote or Statutory Wording	2008-09 Main Estimates ($ millions)	2009-10 Main Estimates ($ millions)
30	Program Expenditures	0.9	0.9
(S)	Spending of revenues pursuant to subsection 17(2) of the *Office of the Superintendent of Financial Institutions Act*		
	Total	0.9	0.9

Section II – Analysis of Program Activities by Strategic Outcome

The following section describes OSFI's program activities and identifies the expected results, performance indicators and targets for each of them. This section also explains how OSFI plans on meeting the expected results and presents the financial and non-financial resources that will be dedicated to each program activity.

2.1 Strategic Outcome – *To regulate and supervise to contribute to public confidence in Canada's financial system and safeguard from undue loss.*

2.1.1 - Program Activity: Regulation and Supervision of Federally Regulated Financial Institutions					
Human Resources (FTEs) and Planned Spending ($ millions)					
2009–10		**2010–11**		**2011–12**	
FTEs	**Planned Spending**	**FTEs**	**Planned Spending**	**FTEs**	**Planned Spending**
289	48.6	289	50.7	289	52.5

Program Activity Expected Results	**Performance Indicators**	**Targets**
Protect depositors and policy holders while recognizing that all failures cannot be prevented.	Percentage of estimated recoveries on failed institutions (amount recovered per dollar of claim)	90%
Accurate risk assessments.	Percentage of knowledgeable observers who agree that their institution's Composite Risk Rating is appropriate.	70%
Timely and effective intervention and feedback.	Time to issue Supervisory Letter (within prescribed target days)	80% of letters are issued within 45 days
Regulations, guidance and other rules that balance prudential considerations and the need to compete.	Percentage of knowledgeable observers who rate OSFI as good or very good at developing regulations, guidelines and other rules that strike an appropriate balance between prudential considerations and the need for institutions to compete.	50%
Regulations, guidance and other rules which are clear and scrutinized by industry.	Percentage of knowledgeable observers who rate OSFI as good or very good at developing regulations, guidelines and other rules for industry that are clear and easy to understand. AND/OR	75%

	Percentage of knowledgeable observers who rate OSFI as good or very good at consulting with industry on the development of regulations, guidelines and other rules.	60%
Regulatory approval result in prudentially sound decisions that are transparent.	Percentage of knowledgeable observers who understand somewhat or very well the basis upon which OSFI makes its decisions as part of the approval process.	85%
Regulatory approvals which are timely.	Percentage of completed applications for regulatory approvals that are processed within established performance standards.	90%

Program Activity Summary

- Operate an effective prudential supervisory system by allocating resources to higher risk/impact institutions or activities.
- Conduct timely risk assessments and interventions and provide clear reports and recommendations to FRFIs.
- Recommend appropriate changes in FRFI practices and processes.
- Communicate and consult effectively with financial institutions and the industry during the rule development process.
- Contribute effectively to international regulation and standard setting.
- Operate a timely, clear and transparent approvals process for legislative and non-legislative approvals.

Planning Highlights

In order to achieve the expected result, OSFI plans to undertake the following activities:

- Continue to improve our ability to identify emerging risks via enhanced research and international intelligence, more focus on market information, and comparative reviews in key areas.
- Conduct a formal review of OSFI's Supervisory Framework for continued appropriateness.
- Continue to participate in international discussions to identify and respond to the key issues arising from global economic events and developments in world financial markets, including future changes to regulatory approaches, and make recommendations for action. Work with Financial Institutions Supervisory Committee (FISC) partners and the regulated industries on similar issues in the Canadian context, to strengthen communications and preparedness in light of the continuing market turbulence.
- Determine implications of accounting changes for Canadian financial institutions and supervisors. Develop a plan for addressing resulting changes to policies, process, data collection and reporting.
- Continue the development of implementation and risk management expectations for future improved risk-sensitive methodologies for Life insurers and P&C insurers.
- Revise the current Minimum Continuing Capital and Surplus Requirement (MCCSR) and the Minimum Capital Test (MCT) in light of the introduction of IFRS in 2011.
- Continue post-implementation review work for Basel II, including policy work to examine target capital policy for risk ratios, leverage multiple, standards for credit risk in the trading book and capital floors.

Benefits for Canadians

A properly functioning financial system, in which consumers and others (inside and outside Canada) have a high degree of confidence, makes a material contribution to Canada's economic performance. OSFI is the primary regulator and supervisor of all federally registered financial institutions, numbering about 450. The achievement of OSFI's strategic outcomes, which are shared by partners within government and the private sector, provides an essential foundation for a productive and competitive economy.

OSFI supports the government's priority for a safe and secure world by contributing to the fight against terrorism financing and money laundering. OSFI's focus relates to guidance and, on behalf of Financial Transactions Reports Analysis Centre of Canada (FINTRAC), the supervisory review of the operation of financial institution programs to comply with anti-money laundering / anti-terrorism financing requirements.

2.1.2 - Program Activity: Regulation and Supervision of Federally Regulated Private Pension Plans					
Human Resources (FTEs) and Planned Spending ($ millions)					
2009–10		**2010–11**		**2011–12**	
FTEs	**Planned Spending**	**FTEs**	**Planned Spending**	**FTEs**	**Planned Spending**
27	4.8	27	4.6	27	4.7

Program Activity Expected Results	**Performance Indicators**	**Targets**
Protect the financial interests of federally regulated private pension plan members and beneficiaries.	Percentage of estimated recoveries on pension plans that have terminated under-funded.	85%
Regulations, guidelines and other rules which are clear and balanced.	Percentage of knowledgeable observers who rate OSFI as being good or very good at developing regulations, guidelines and other rules that are clear and easy to understand. AND/OR Percentage of knowledgeable observers who rate OSFI as being good or very good at developing regulations, guidelines and other rules that strike an appropriate balance between interests of plan sponsors and plan members.	75% 50%
Regulatory approvals which are timely and transparent.	Percentage of knowledgeable observers who rate the transparency, that is, the rationale for OSFI's recommendations and decisions, of the Pensions Approvals process, as good or very good. AND/OR Percentage of completed applications for regulatory approvals that are processed within established benchmarks.	60% 90%

Program Activity Summary

- Conduct timely risk assessments and interventions and provide clear reports and recommendations to supervised plans.
- Communicate and consult constructively and effectively with the pension plan industry during the development of regulations, rules and other guidance.
- Operate a timely, clear and transparent approvals process for private pension plans.
- Work closely with the Department of Finance in the development of proposals for, and the analysis of, any changes to federal legislation that could impact federally regulated pensions.
- Monitor and determine the implications of court decisions affecting private pension plans.

Planning Highlights

In order to achieve the expected result, OSFI plans to undertake the following activities:

- Develop and implement systems to support the revised pensions risk assessment framework.

Benefits for Canadians

OSFI supports the government's priority for income security for Canadians. OSFI supervises some 1,330 federally regulated private pension plans in Canada, which cover 594,000 active members as at March 31, 2008. OSFI works to promote responsible pension plan governance and actuarial practices. OSFI's actions and decisions affect plan members as well as the sponsors and administrators of the plans.

2.1.3 - Program Activity: International Assistance					
Human Resources (FTEs) and Planned Spending ($ millions)					
2009–10		**2010–11**		**2011–12**	
FTEs	**Planned Spending**	**FTEs**	**Planned Spending**	**FTEs**	**Planned Spending**
5	1.7	5	1.7	5	1.7

Program Activity Expected Results	Performance Indicators	Targets
Emerging market economies are more informed about current approaches to regulatory and supervisory systems, and deploy them to the extent possible.	Percentage of respondents that rate the assistance / presentations provided as relevant to their work.	80%
Technical assistance (e.g., workshops, advice, on-site needs assessments)	Percentage of respondents who rate OSFI trainers as competent or highly competent.	90%

Program Activity Summary

- Provide technical assistance with on-site examination processes, legislative drafting, development /organization of supervisory agencies, risk-based capital regimes and improving supervision systems.
- Work to improve supervisory cooperation and coordination amongst supervisors.
- Assist selected jurisdictions in preparing their Financial Sector Assessment Program self-assessment.

Planning Highlights

In order to achieve the expected result, OSFI plans to undertake the following activities:

- Strategically concentrate its activities on a small number of target / partner countries.

Benefits for Canadians

OSFI supports the government's priority for a safe and secure world through international cooperation. Canada and other G-7 governments recognize that upgrading the supervisory capacity of emerging market supervisory authorities can enhance the stability of the global financial system. Canada plays an important role in this regard, in part through OSFI's technical assistance program, which helps selected emerging market economies to improve the supervisory systems for their financial institutions in line with international banking and insurance supervisory standards.

2.2 Strategic Outcome – *To contribute to public confidence in Canada's public retirement income system.*

2.2.1 - Program Activity: Office of the Chief Actuary					
Human Resources (FTEs) and Planned Spending ($ millions)					
2009–10		**2010–11**		**2011–12**	
FTEs	**Planned Spending**	**FTEs**	**Planned Spending**	**FTEs**	**Planned Spending**
31	4.3	31	4.3	31	4.4

Program Activity Expected Results	Performance Indicators	Targets
Stewards of Canada's public retirement income system are provided with professional actuarial services and advice in regard to the Canada Pension Plan (CPP) and federally legislated public pension and benefit plans.	Adequacy of professional experience of the Chief Actuary and his staff. AND/OR Compliance with Canadian and international professional standards.	Unanimous agreement Unanimous agreement
High quality actuarial valuations inform CPP and OAS stakeholders and Canadians of the current and projected financial status of the CPP and OAS.	Reviews are comprehensive (methods, assumptions, analysis) AND/OR Percentage of the recommendations within the scope and influence of the OCA that are implemented before the next peer review.	Unanimous agreement 80%
CPP and OAS Triennial Actuarial Reports	Timeliness of tabling in Parliament of Reports on Canada Pension Plans & Old Age Security.	100% by the deadline
Accurate and high quality actuarial valuations of Public Pension and Insurance Plans provided to departments to inform design, funding and administration of plans.	Reviews are comprehensive (methods, assumptions, analysis). AND/OR Actuarial opinion is appropriate.	Unanimous agreement Unanimous agreement
Public Sector Triennial Actuarial Reports	Timeliness of tabling in Parliament of Reports on Public Pension Plans.	100% by the deadline
Independent valuation of the Canada Student Loans Program informs the Departments of Finance and HRSDC of the future costs and provision rates of the program.	The OCA is the service provider of choice to HRSDC.	Annual renewal of the MOU with HRSDC
Actuarial Report on the Canada Student Loans Program	Timeliness of the Report on the Canada Student Loans Program provided to HRSDC.	100% by the deadline set by HRSDC

Program Activity Summary

- Provide high-quality and timely reports such as: triennial Actuarial Reports in respect of the Canada Pension Plan (CPP), the Old Age Security program, and federal public sector employee pension and insurance plans established under various acts.
- Prepare actuarial reports that are tabled in Parliament in respect of the CPP, for example, when certain bills are introduced and when amendments are made to certain other public sector pension plans.
- Undertake the actuarial review of the Canada Student Loans Program.

Planning Highlights

In order to achieve the expected result, OSFI plans to undertake the following activities:

- Tabling the Actuarial Report for the PSSA, PSDB, CF, CFDB and RCMP.
- Hosting an International Social Security Association Conference in Ottawa in September 2009.

Benefits for Canadians

Canada has set in place a public pensions system that is expected to be sustainable and affordable well into the future in the face of changing demographic conditions. While OSFI does not supervise public pensions, the Office of the Chief Actuary (OCA) does do statutory actuarial reports on various public pension programs, to come to conclusions about sustainability under certain assumptions. In this way, the OCA provides appropriate checks and balances on the future costs of the different pension plans and social programs that fall under its responsibilities.

2.3 Program Activity: Internal Services

Program Activity: Internal Services					
Human Resources (FTEs) and Planned Spending ($ millions)					
2009–10		**2010–11**		**2011–12**	
FTEs	**Planned Spending**	**FTEs**	**Planned Spending**	**FTEs**	**Planned Spending**
139	40.7	137	41.9	137	42.7

Program Activity Expected Results	Performance Indicators	Targets
• OSFI's financial statements accurately reflect the financial position of OSFI.	• OAG audit attests that OSFI's financial statements present fairly, in all material respects, the financial position of OSFI at the year-end and the results of its operations and its cash flows for the year in accordance with GAAP.	N/A
• OSFI maintains or improves its strong performance on its Results-based Management Accountability Framework, (MAF) as assessed by Treasury Board from time to time.	• Treasury Board's next assessment of OSFI's MAF indicates equal or improved ratings, including in the three areas where, in the last assessment, Treasury Board suggested a need to focus.	N/A
• Operational units within program support are efficient and effective, i.e. deliver services at reasonable cost and turn-around time relative to peers. • Operational units are operating within applicable acts, policies and guidelines	• Treasury Board's audits of OSFI, in the scope of its government-wide Horizontal Audits, confirm no material findings for OSFI. • Internal Audits of reviewed units find that controls are in place and units are operating within applicable acts, policies and guidelines, and/or identifies areas for action.	N/A
• A stable, committed and skilled workforce.	• Knowledgeable observers are of the view that OSFI staff knowledge is good or very good. • Voluntary turnover reports are satisfactory. • Employee Survey finds that OSFI employees are committed. • The consolidated mean score of the Employee Survey has increased since the last survey.	N/A

Program Activity Summary

OSFI's Internal Services program activity supports its two strategic outcomes. Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. These groups are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services;

Information Technology Services; Real Property Services; Materiel Services; Acquisition Services; and Travel and Other Administrative Services. Internal Services include only those activities and resources that apply across an organization and not to those provided specifically to a program.

Planning Highlights

In order to achieve the expected result, OSFI plans to undertake the following activities:

- Identify changing human resources requirements; ensure timely availability of staff; continue to allocate available resources to identified risk and priority areas; implement strategic development plans.
- By April 2009, develop long-term strategies for Information Management and Information Technology necessary to support our evolving supervisory and regulatory activities, and associated implementation road map. In conjunction, review and refine as required, OSFI's existing governance processes supporting the conceptualization and prioritization of major IM/IT initiatives.

Section III: Supplementary Information

3.1 List of Tables

The following tables are located on the Treasury Board Secretariat website:

- Green Procurement
- Internal Audits
- Sources of Respendable and Non-Respendable Revenue
- Summary of Capital Spending by Program Activity

3.2 Other Items of Interest

- OSFI Plan and Priorities 2009-12